



NORTH CAROLINA

REAL ESTATE LICENSING BOARD

# Real Estate Bulletin

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STATE OF NORTH CAROLINA  
GOVERNOR'S OFFICE  
RALEIGH 27602

ROBERT W. SCOTT  
GOVERNOR

Greetings:

The more than 10,000 licensed real estate brokers and salesmen who make up the real estate industry in North Carolina make an important contribution to the economy of our state through the sale of real estate.

Economic growth, whether it be new industry, a shopping center, or a subdivision, usually begins with the sale of real property.

Selling real property demands a high degree of professionalism. Few other occupations have such a long range effect on the lives of those it touches.

I am sure that each licensee is keenly aware of his obligation to engage in only the highest standard of ethical real estate practice.

Best wishes for a better North Carolina.

Cordially,

Robert W. Scott

## REAL ESTATE BULLETIN

Published quarterly as a service to real estate licensees to promote a better understanding of the Real Estate Licensing Law, Rules and Regulations, and proficiency in ethical real estate practice.

### NORTH CAROLINA REAL ESTATE LICENSING BOARD

412 First Federal Bldg.  
Raleigh, North Carolina 27602

Robert W. Scott, Governor

#### BOARD MEMBERS

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Kenneth R. Smith, V. Chm. .. Raleigh  
J. Toliver Davis ..... Forest City  
J. Bart Hall ..... Belmont  
John W. Olive ..... Mount Airy  
J. F. Schweidler ..... Sec'y.-Treas.

#### LICENSING BOARD MEETINGS

Monthly meetings of the Licensing Board are held in Raleigh on the fourth Friday of each month. Anyone wishing to appear before the Board on a matter of business should contact the Secretary-Treasurer at least a week before the meeting for an appointment.

#### CHAIRMAN'S COMMENTS

The Licensing Board is extremely proud to bring you this first issue of the REAL ESTATE BULLETIN which will be published quarterly.

The BULLETIN replaces the Directory which was discontinued during the past year. The Board feels that the BULLETIN will be of greater value and service to licensees than the Directory which was obsolete by the time it was published. An up-to-date roster is now maintained by computer in the Board office.

The BULLETIN will enable the Board to better communicate with licensees and bring them articles relating to the real estate business and information pertaining to the Licensing Law and Rules and Regulations.

We urge that you have your salesmen read the BULLETIN and then keep it in a permanent binder in your office for future reference.

We hope you like this service.

Best wishes.



## TRUTH IN LENDING AND THE ADVERTISING OF REAL ESTATE CREDIT

The Federal Trade Commission advises that real estate brokers violate Regulation Z, "Truth-in-Lending" more frequently than any other advertiser. This appears due to the fact that they are not familiar with the requirements of advertising under Regulation Z.

The following information has been compiled from information furnished to the Licensing Board by the Federal Trade Commission.

The advertising provisions of Regulation Z (226.10) apply to any advertisement that is intended to promote an extension of consumer credit (that is, credit offered to a natural person in which the money, property or service is primarily for personal, family, household or agricultural purposes and which involves a finance charge or is, by agreement, payable in more than four installments). If the advertisement in question does not involve an offer of consumer credit the advertising provisions of Regulation Z are not applicable.

The term "advertisement" itself is quite broad and covers all forms of commercial messages, including display signs in store windows. For example, multiple listing cards, if displayed to the public, would constitute an "advertisement." On the other hand, literature such as multiple listing cards that is not on public display and is only used in connection with and in response to an individual prospective buyer's inquiry would not be considered an "advertisement."

Liability for compliance with the advertising provisions of Regulation Z extends beyond that of the extender or arranger of consumer credit. Once it is determined that the subject of the advertisement is a consumer credit transaction, the provisions of 226.10 apply to any advertiser regardless of his role in the transaction. The test is whether the advertisement is to promote consumer credit, not whether the advertiser is a creditor, consumer creditor, arranger, etc.

**When a licensed real estate broker advertises a house owned by his principal, is the advertisement covered by Regulation Z?**

The answer to this question depends on whether the advertisement is to promote the extension of a customer credit sale. The answer is yes if the sale of the advertised home is one which will trigger the disclosure requirements of Title II of Regulation Z. The broker is subject to the advertising provisions of Regulation Z, even though he advertises on behalf of a private seller, so long as the transaction will qualify as an extension or arrangement of "consumer credit" as defined in Regulation Z.

**What parts of the advertising provisions of Regulation Z apply to the real estate industry?**

Generally only Sections 226.10(a) and (d) will apply to real estate transactions.

226.10(a) sets forth the overriding principal that no advertisement should contain terms (such as monthly payment amounts or downpayment amounts) that are not usually and customarily arranged by the creditor.

Example: An advertisement offering new homes at "\$1,000 down" is improper if the seller will not usually accept this amount as a downpayment, even if all of the other required credit terms are disclosed in the advertisement.

#### Advertising of Real Estate Credit

Advertisements of assumptions generally involve the use of the one credit term that does **not** trigger the full disclosure required in 226.10(d)(2) — the rate of finance charge. In order to comply, the advertiser may state the rate and nothing else, but it must be expressed as an "Annual Percentage Rate" using that term.

(Continued on next page)

## TRUTH IN LENDING — (Cont'd.)

Example: "Assume 7½% mortgage" is improper.  
 "Assume 7½% Annual Percentage Rate mortgage" is correct.

Further, the term "Annual Percentage Rate" should be spelled out and not reduced to "A.P.R." or otherwise abbreviated.

Some transactions that are commonly called "assumptions" are not within the disclosure requirements of 226.8(k) (Assumption of an obligation), and are therefore not subject to the advertising provisions of Regulation Z. For the purposes of the disclosure requirements of Regulation Z, an "Assumption" occurs only when, by written agreement entered into between a subsequent customer and the creditor, that subsequent customer is or will be accepted by that creditor as an obligor on an existing evidence of debt.

### Advertisements Involving New Financing

If an advertisement states any of the following specific credit terms it is subject to the full disclosure requirements of 226.10(d)(2):

1. The amount of the downpayment or that there is "no downpayment" required (this includes statements such as "No closing or other costs until your first monthly payment");
2. The amount of any installment payment;
3. The dollar amount of any finance charge (this of course would encompass reference in the advertisement to the dollar amount of points, finder's fee or other charges that will become part of the finance charge);
4. The number of installments or the period of repayment (this includes statements like "Up to 30 year financing available"); or
5. That there is no charge for credit.

If any of the above five categories of statements are used in a consumer credit advertisement of real estate, then the advertisement must disclose all of the following:

1. The cash price of the home;
2. The amount of the downpayment required or that none is required, as applicable;
3. The (a) number, (b) amount and (c) due dates or period of payments scheduled to repay the debt; and
4. The annual percentage rate of finance charge.

There is no need to state the total dollar amount of finance charge in any advertisement and there is no need to state the deferred payment price in the case of the sale of a dwelling or the sum of the payments of a loan secured by a first lien on a dwelling to purchase that dwelling.

A hypothetical may be used to illustrate typical terms when all sales or loans are not made on the same basis. For example:

"Typical VA financing of 30 year loan: Cash price of 'Hilton' model \$22,040; no downpayment; 360 monthly payments of \$204 (including estimated taxes) at 7½% Annual Percentage Rate."

A note of caution is in order here. An advertisement that states a "7½% Annual Percentage Rate" is improper if it relates to a transaction that, after calculation of points, discount, and other extra charges, turns out to be 7.96% at closing time. The seller usually knows about these additional charges when he places the advertisement and he should not ignore what he knows is common practice when he advertises the property. Further, the term "Annual Percentage Rate" must be printed more conspicuously than other required terminology.

### The Use of General Terms

General terms such as "Small Downpayments Accepted," "FHA or VA financing available" and "Compare our liberal mortgage rates" are not within the scope of Regulation Z.

The advertising provisions of the Truth in Lending Act are intended to encourage the use of the Annual Percentage Rate by advertisers and to promote full disclosure of specific credit terms or none at all.

## LICENSE STATISTICS

Licenses as of March 31, 1970

Brokers	7,873
Salesmen	2,329
Total	10,202

Examination — January 1970

	Passed	Failed
Brokers	174	77
Salesmen	59	21

Examination — February 1970

	Passed	Failed
Brokers	71	61
Salesmen	56	16

Examination — March 1970

	Passed	Failed
Brokers	48	27
Salesmen	48	22

### LICENSES SUSPENDED-REVOKED

HARLAND R. ADAMS — Raleigh  
 broker — revoked — G.S. 93A-6(a), (7)

GEORGE C. BROWN — Kannapolis  
 broker — revoked — G.S. 150-11(c)

CLAUDE M. CREASMAN — Asheville  
 broker — revoked — G.S. 93A-6(a), (1), (7), (8), (10) — Appealed

JULIUS J. LYON III — Kinston  
 salesman — suspended 10 day suspension — G.S. 93A-6(a), (1)

FRANK P. RIDLEY — Raleigh  
 broker — suspended 10 day suspension — G.S. 93A-6(a), (7)

ERNEST P. SMITH — Lenoir  
 broker — revoked — G.S. 150-11(c)

### "BROKEOR" OR A "BROKER"

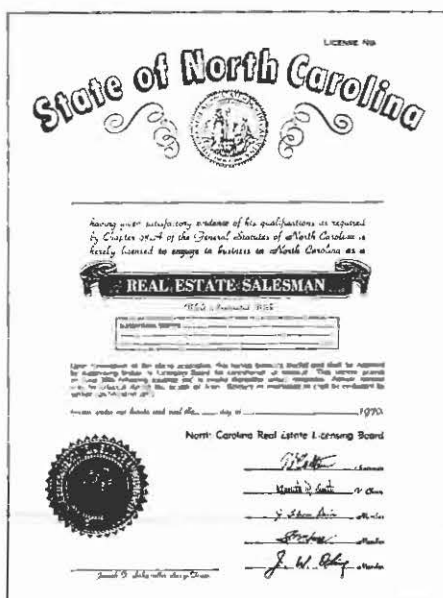
Etymologically speaking, the word "brokier" derived from Old North French "Brokeor," which in turn derived from the verb brokier "to broach"; hence the Old French noun meant, "one who broaches or taps a cask to draw off the liquor." Broker was first used in English to designate a petty dealer in secondhand goods or a pawn broker. Petty is defined as small in nature, mean and ungenerous, inferior; so a broker could be said to have been a small, mean and ungenerous dealer in secondhand goods.

This might get the ethical, professionally oriented real estate broker of today somewhat perturbed, did he not know that the doctors and the lawyers have some odd ancestors in the earlier history of their respective professions. His concern is not so much what word study shows a broker to have once been as what an analysis of present practices will show the average broker now to be.

—Calif. Real Estate Bulletin



# Real Estate Licenses Revised



Shown above are the revised real estate licenses which are now being issued to newly licensed brokers and salesmen.

The salesman's license now contains the name and business address of the broker with whom the salesman is associated. Upon termination of the broker-salesman association, the license should immediately be returned to the Licensing Board by the broker. The broker should first endorse the back of the license with the date of termination and his signature.

The salesman may then have the license re-issued and transferred to a new broker by filing a license transfer form with a \$1.00 duplicate license fee.

The same procedure should be followed for salesmen operating under the old style licenses.

The Board believes this new procedure for handling salesmen licenses will eliminate many of the problems experienced in the past by the failure of brokers and salesmen to notify the Board of employment transfers or terminations.

Licenses of both brokers and salesmen should continue to be prominently displayed in the broker's place of business. Licenses which have been lost or damaged may be replaced upon application and payment of the \$1.00 duplicate license fee.

## HAVE YOUR SALESMEN READ THE BULLETIN?

### COMMUNITY SERVICE

Congratulations to the members of the Charlotte Board of Realtors on their "Light The Night" campaign against crime.

Based on statistics which prove a direct relationship between a high crime rate and poor lighting, the Charlotte Board's program is aimed at encouraging homeowners and businessmen to improve the lighting on their premises and to keep lights burning throughout the night. According to the Board, similar programs in other cities have had marked success in reducing the crime rate.

REA

RATE  
Stage Paid  
No. 99  
JH, N. C.

## LICENSE RENEWALS

All real estate broker and salesman licenses will expire on June 30, 1970, unless renewed.

Licenses are renewable during the month of June. The renewal applications will be mailed to the brokers and salesmen of record during the last week of May. Any licensee who has not received his renewal form by June 1st should immediately notify the Board.

The renewals are processed by computer. In order that the Board may do an efficient job of handling the renewals, it is requested that licensees cooperate by following renewal instructions and filing as early as possible.

Licenses are cautioned that if they continue to engage in business after June 30th with an expired license, they are subject to the penalties prescribed by the Licensing Law for anyone operating without a license.

## EXAMINATION DATES

Real estate examinations are held on the 3rd Friday of each month except June and December.

The filing date is 15 days prior to the examination for salesmen and 30 days for broker.

## IS YOUR ADDRESS CORRECT?

The Rules and Regulations of the Licensing Board require licensees to notify the Board in writing of each change of address or business trade name within ten days of said change.

It is imperative that licensees comply with this rule. Please check the address on this bulletin and if not correct, notify the Board as soon as possible.